



GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject:	<i>Reconciliation of Financial Activities in Certain Accounting Structures</i>	Issued:	11/07/2014
Manual Section(s):	N/A	Effective:	11/07/2014
Supersede(s):	N/A	Page:	1 of 4

TO: Technical Bulletin Administrators
All Agencies

FROM: D. Clark Partridge
State Comptroller

AUTHORITY

A.R.S. § 41-703	Duties of director
A.R.S. § 41-722	Powers and duties relating to finance

DEFINITIONS

AFIS: Arizona Financial Information System, the principal automated accounting system used by the Government of the State of Arizona.

Agency: Any department, authority, board, commission, council, administration, court, registrar, office, institution, or other entity in the Executive, Legislative, or Judicial branch of Arizona State Government. In contexts that are directive in nature, the use of the term “agency” may imply that an employee, the employee or those employees within the organization—such as the agency head, the CFO, etc.—responsible for carrying out the procedures under consideration.

Approved accounting system: Generally AFIS; some agencies, however, may, having received the written approval of the State Comptroller, use other automated accounting systems.

Contract: As used herein, a written agreement between two or more parties to do or abstain from doing something specified.

Disbursement: Any payout of funds by an agency; disbursements may include expenditures and transfers-out.

Donation: A gift of money received by an agency.

Fund: An accounting structure with a self-balancing set of accounts recording receipts, disbursements and the resulting asset and equity balances. Fund transactions are segregated for the purpose of carrying out specific activities or attaining specific objectives. Each fund may be subject to a set of regulations, restrictions or limitations that differ from those that govern other funds.

Fund number: A number used to identify a specific fund.

Grant: A sum of money given by one entity to some another entity for the purpose of achieving some goal or supporting some program. Governments and non-profit entities are frequently involved in the award and receipt of a grant. The term “grant” also refers to a structure in AFIS used to track revenues and expenditures.

Subject: ***Reconciliation of Financial Activities
in Certain Accounting Structures***

Issued: 11/07/2014

Manual Section(s): N/A

Effective: 11/07/2014

Supersede(s): N/A

Page: 2 of 4

Grant number: A number used to identify a specific grant, ISA, IGA, donation or any similar arrangement or structure established to facilitate financial tracking (i.e., restitution, etc.).

ISA: Interagency service agreement. A contract between two or more units within one distinct legal governmental entity (e.g., two or more State agencies).

IGA: Intergovernmental agreement. A contract between two or more legally distinct governmental entities (e.g., the State of Arizona and the City of Phoenix).

LAPR: Arizona State Library, Archives and Public Records, a division of the Office of the Arizona Secretary of State.

Project: A structure or tracking mechanism used in AFIS to accumulate expenditures, revenues and budgetary information independent of object or fund structures. Projects allow costs to be controlled and reported with or without regard to a fiscal year or grant funding period.

Receipt: Money taken in from any source and by any means.

Recipient: The entity that receives the proceeds of an ISA, IGA, grant or donation.

State Comptroller: A chief financial officer of the State of Arizona and the principal executive of the GAO.

INTRODUCTION

There are a number of situations involving the receipt and expenditure of monies that require additional accounting procedures and controls. Among these are ISAs, IGAs, grants and donations. This technical bulletin establishes the minimum requirements for dealing with these types of arrangements.

POLICY

1. Except with the prior written approval of the State Comptroller, all grants, ISAs, IGAs and donations must, in an approved accounting system:
 - a. Be established and accounted for in an appropriate accounting structure, such as a grant or a project, which segregates the financial activities of the grant, ISA, IGA or donation from other financial activities.
 - i. In AFIS, a grant is established using Screens D47 and 29.
 - ii. In AFIS, a project is established using Screens D42 and 27.
 - b. Have all their receipts and disbursements recorded using the appropriate fund, project and/or grant numbers.

Subject: ***Reconciliation of Financial Activities
in Certain Accounting Structures***

Issued: 11/07/2014

Manual Section(s): N/A

Effective: 11/07/2014

Supersede(s): N/A

Page: 3 of 4

2. All grants, ISAs, IGAs and donations must be individually reconciled monthly.
3. All funds in which ISAs, IGAs, donations, and/or grants are recorded must be reconciled monthly.
4. The procedures governing the reconciliation of grants, ISAs, IGAs, donations and the funds in which they are recorded include:
 - a. The reconciliation of a given month must be completed by or before the last business day of the month following the month being reconciled.
 - b. All reconciliations are to be retained by the agency for the period prescribed for accounting records by the LAPR.
 - c. Reconciliation for these purposes means to perform and document a procedure that results in a report that demonstrates:
 - i. If dealing with a Federal grant, the amounts, from date of inception to date of report, of revenues and expenditures shown in the approved accounting system (found on Screen 66A in AFIS) should be equal to the revenues and expenditures contained in the report of activities filed with the Federal Government. Any discrepancies should be investigated and corrected on a timely basis.
 - ii. There are two approaches in AFIS that may be used to reconcile the cash balances of funds:
 - 1) The total cash balance of a fund should be equal to the total of the balances of the grants, ISAs, IGAs, and donations comprising the fund (use Screen 65A to verify that *cash + investments – payments outstanding* equal the cash balance of the fund).
 - 2) The total cash balance of the fund should be equal to total cash available (use Screen 57 to verify that *cash balance + cash invested with the Treasurer* equal the cash balance of the fund).
5. Grants, ISAs, IGAs and donations that have been established in AFIS before the effective date of this technical bulletin and that use structures other than those prescribed herein may continue using their existing structures until June 30, 2015. These grants, ISAs, IGAs and donations, however, are subject to all the other provisions of this technical bulletin, including monthly reconciliation.

Subject: ***Reconciliation of Financial Activities
in Certain Accounting Structures***

Issued: 11/07/2014

Manual Section(s): N/A

Effective: 11/07/2014

Supersede(s): N/A

Page: 4 of 4

ON-LINE AVAILABILITY

Copies of all Technical Bulletins and many GAO Forms are available for viewing and downloading from the General Accounting Office Website located at:

<https://gao.az.gov>

AREAS IMPACTED

All State agencies.

QUESTIONS, COMMENTS, CONCERNS, RECOMMENDATIONS AND FEEDBACK

If you have any questions concerning this Technical Bulletin, please contact your GAO Liaison.

We welcome your comments, concerns, recommendations and feedback. You are invited to send your suggestions to us at:

gaopolicy@azdoa.gov